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RUEHIL/AMEMBASSY ISLAMABAD PRIORITY 2226
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RHEFDIA/DIA WASHINGTON DC//DHO-2/REA/NMJIC-J2// PRIORITY
RHEBAAA/DEPT OF ENERGY WASHDC PRIORITY
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
RHEHNSC/NSC WASHDC PRIORITY
RUEKJCS/JOINT STAFF WASHINGTON DC//J5/RUE// PRIORITY
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C O N F I D E N T I A L SECTION 01 OF 03 ASHGABAT 000831

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E.O. 12958: DECL: 08/10/2017

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SUBJECT: TURKMENISTAN'S PRESIDENT CALLS FOR CLARIFICATION
OF MINISTRY FUNDS: A FIRST STEP IN ATTACKING BUREAUCRATIC
CORRUPTION?

REF: ASHGABAT 711

Classified By: Charge d'Affaires Richard Hoagland for reasons 1.4(B) and (D).

¶1. (C) SUMMARY: During an August 9 Cabinet of Ministers session, a frustrated President Gurbanguly Berdimuhamedov lashed out against the lack of transparency and clarity in Turkmenistan's system of ministry funds -- the funds (often supplemented by fees, bribes and other sources of income) controlled by the various ministries. He called for the newly established Supreme Auditing Commission to check all ministries' books, fired three ministers whose agencies' books already had been checked and found lacking, reprimanded the Minister of Economy and Finance, and gave the Deputy Chairman of the Cabinet of Ministers responsible for Energy, Industry and Construction two months to get his house in order. The system of ministry funds is notorious for corruption, and the president's inability to get a handle on what his ministers are actually doing with their funds is undoubtedly galling for Berdimuhamedov, who is well known for his love of order. Citizens long accustomed to pay random fees and bribes will welcome this move, although it remains to be seen how far the president takes this potentially corruption-fighting push. END SUMMARY.

BERDIMUHAMEDOV CRACKS THE WHIP

¶2. (U) During an August 9 meeting of the Cabinet of Ministers, an exasperated President Berdimuhamedov chastised Minister of Economy and Finance (MOEF) Geldimyradov and Deputy Chairman of the Cabinet of Ministers for Energy, Industry and Construction Gurbannazar Ashyrov for the lack of a system that would allow the MOEF to know precisely how the individual ministries are using their funds. The president noted that the MOEF has no way of tracking ministries' income and expenditures, or of determining whether the ministries are using their funds properly. "It looks like double bookkeeping." Yet, he added, Geldimyradov each year approves budget allocations from the state fund for the individual ministries. Despite these draws on the state funds, state

employees are not being paid and pensions are not being paid on time because of the MOEF's mismanagement. Berdimuhamedov called for a more transparent and rational monetary policy, and made clear that the Supreme Auditing Commission established July 13 (reftel) will take a close look at all ministries' books. He also gave Ashyrov two months to get the sectors under his supervision under control.

THREE MINISTRIES' BOOKS FOUND LACKING

13. (U) The session focused in particular on the results of a Supreme Auditing Commission's review of three ministries' books:

-- The Motorways and Roads Ministry has laid only 128 kilometers of road during the first seven months of 2007, and has a high amount of non-operational equipment. Utilization of its capital investments has reached only 11.4%. The head of the Supreme Auditing Commission suggested that it is unlikely that the ministry will meet its road-construction plans for the year.

-- The Construction and Construction Materials Industry Ministry has only a 2.6% rate of development of its investments. It has also not yet started construction of a number of economically important sites and has left employees unpaid.

-- The Energy and Industry Ministry also has serious shortcomings: the ministry's debt to the state budget for taxes and other necessary payments totals 211 billion manats (about \$40 million at the official exchange rate). The

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ministry has not used its resources well -- one example is a cement factory which has been non-operational for almost two months due to major equipment breakage.

14. (U) Following the Supreme Auditing Commission's presentation, Berdimuhamedov summarily fired the three ministers, told them that law enforcement agencies would investigate for possible malfeasance and, in an almost Niyazovian move, ordered all three to leave the room. He then made the following appointments (bios para 6-8):

-- Ashir Sarybayev will replace Ashyrgeldi Zamanov as Minister of Motorways and Roads.

-- Shamuhammet Durdyllyev will replace Jumadurdy Kakalyev as Minister of Construction and Construction Materials Industry.

-- Gurbannur Annaveliyev will replace Yusup Davudov as Minister of Energy.

15. (C) COMMENT: Berdimuhamedov appeared confident throughout this Cabinet of Ministers session, acting with an almost Niyazovian "arrogance," according to some local observers. That said, although this latest cabinet reshuffle will further cement his position within the government, his clear frustration with the system set up by Niyazov constitutes an implicit criticism of his predecessor. There is reason ample reason for his frustration: Turkmenistan's government was set up with the expectation that all but a handful of ministries (such as the Ministry of Foreign Affairs) will be self-supporting. This has led to a situation where ministries seek income wherever they can find it, including by tacking on random charges and/or taking bribes. The lack of transparency and accountability in this system is a notorious source of bureaucratic graft and corruption. Citizens are certain to welcome any steps that would begin to address these issues.

BIO FOR ASHIR SARYBAYEV

16. (U) Sarybayev was born in 1956 in Amudarya Village, Gubadag District in Dashoguz Province. He studied civil

engineering at the Moscow Road Transport Institute, graduating in 1984. Upon graduation, he worked at the Dashoguz Province Road Administration of the Ministry of Construction and Roads Maintenance until 1988, then worked for two years as senior engineer and head of the Road-Building Administration No. 20 of the Road-Building Trust. In 2000, Sarybayev became head of the "DashoguzGurlushyk" Production Administration of the "Turkmen Automobile Roads" State Concern. From 2004, he headed the "DashoguzGuzlushyk" Production Administration of the Ministry of Motor Transport and Motor Roads.

BIO FOR SHAMUHAMMET DURDYLYEV

17. (U) Durdyliev was born in 1963 in Ahal Province. He majored in civil engineering at the Industrial and Residential Department of the Polytechnic Institute, where he graduated in 1986. Upon his graduation, he worked as an occupational safety and construction technician at the Baharden Mobile Mechanical Division No. 3, then, in 1990, became a construction engineer. From 1992-1993, he served as the head of the Baharden self-financed construction field of the "AshgabatRemBytStroi," responsible for renovation of public amenity centers in Ashgabat. In 1993, he served briefly as head of the Ahal Welayat Gas Production Association, then went on to become construction manager at the Baharden District Specialized Mobile Mechanical Division No. 17. He served as deputy head of Baharly township between 1994-1995, then spent the next seven years working for the Baharden Water Management Production Administration. Between 2002-2007, he worked as a deputy head, then head, of the Ahal

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Village Construction Production Administration. He was appointed Deputy Minister of Construction and Construction Materials Industry on May 21, 2007.

BIO FOR GURBANNUR ANNAVELIYEV

18. (U) Annaveliyev was born in 1961 in Gowshut Village of the Kaahka District in Ahal Province. Between 1982 and 1994, he worked as a laborer and the head of the workshop at the production association "Selhoztehnika" of Ashgabat District. He graduated from the Turkmen Agriculture Institute in 1990. From 1994-1995, he served as an engineer of the state firm, "Turkmenelektro" under the State Committee on Commodities, followed by a six-year stint at the Ashgabat mayor's office. He served as deputy director of the production association "Ylym" ("Science") 2001-2002, then became first head of the department for analysis and development, then Chairman of the State Concern "Turkmenmashyngurlushyk" ("Turkmen Machinery Construction"). On May 6, 2007, he was appointed Deputy Minister of Energy and Industry.

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